

MEMORANDUM

TO: Commissioners McCarty, Hadley, Landis, Ripley and Ziegner
FROM: Jerry L. Webb, Director of Gas/Water/Sewer Division
DATE: July 1, 2004
RE: Utility Articles for Next Conference

The following Final Articles A and M are submitted to each of you to acquaint you with the tariffs eligible for action or acceptance on or after July 7, 2004.

“A” Final

The following miscellaneous items will be eligible for final consideration at the next Commission Conference and based on a review of them by staff members of the Commission, I recommend approval.

1. Indiana Michigan Power Company, d/b/a American Electric Power (AEP)

The Utility has submitted for Commission review a request for approval of fiscal Year 5 net merger savings reduction rider factors pursuant to the Commission's April 26, 1999 Order in Cause No. 41210 relating to the merger of American Electric Power Company, Inc. and Central and South West Corporation (Order). The purpose of the factors is to reduce bills to customers pursuant to Attachment A of the Stipulation and Settlement Agreement (Agreement) approved by the Commission in Cause No. 41210.

The Agreement specified that the annual bill reduction amounts would be allocated to rate classes based upon total revenues, excluding fuel cost adjustment, and credited to customers' bills through the application of a per kilowatt-hour (kWh) factor specific to each rate class. The Agreement also stated that each individual year's bill reduction would apply for a twelve-month period except for an adjustment during each third quarter to reconcile actual kWh sales and projected kWh sales for the prior year. The Utility stated that in accordance with AEP's testimony in Cause No. 41210, the calculations of the proposed AEP/CSW net merger savings reduction rider factors were based upon the latest available total revenues, excluding fuel cost adjustment, and billed kWh taking into account that calendar year data are more readily accessible, not as cumbersome to accumulate, and subject to a reconciliation process.

As also described in AEP's testimony in Cause No. 41210, prior to the beginning of each fiscal year following consummation of the merger, AEP will make a 30-day filing to establish the net merger savings reduction rider factors to effect that fiscal year's customer bill reduction. Prior to the third quarter of each fiscal year (except the first fiscal year), a 30-day filing will be made to establish the adjustment to the riders, as required by the Agreement, to reconcile actual kWh sales and projected kWh sales for the prior fiscal year. The adjusted rider factors will be in effect for the seventh through the ninth billing months of each fiscal year (except the first fiscal year) after which the factors will return to the unadjusted levels. AEP will also make a 30-day filing, at the request of Staff, prior to the conclusion of the third quarter reconciliation period, that returns factors to the current fiscal year unadjusted levels following the reconciliation period. This process will be repeated annually through the reconciliation of the eighth fiscal year. The last reconciled reduction will continue to apply in years following the end of the eighth fiscal year until the Utility's base rates are changed.

Attachment B to the Utility's filing provided the calculations of the proposed AEP/CSW net merger savings reduction rider factors. For each rate class, the annual merger savings per average customer is 1.23%. The calculations were made in accordance with the Agreement in Cause No. 41210. The annual merger savings

per average residential customer is \$9.23; per average commercial customer is \$111.62; and per average industrial customer is \$9,412.97.

Also included with the Utility's filing, as required by the Commission's April 26, 1999 Order in Cause No. 41210, was a verified statement indicating that the facts contained in the filing were true to the best of the affiant's knowledge and that a copy of this 30-day filing was served on each party to Cause No. 41210.

The tariff sheets affected by this filing are:

Thirteenth Revised Sheet No. 19
Thirteenth Revised Sheet No. 19.1
Twelfth Revised Sheet No. 21
Thirteenth Revised Sheet No. 22
Thirteenth Revised Sheet No. 23
Thirteenth Revised Sheet No. 23.1
Seventh Revised Sheet No. 31.

2. South 43 Water Association

The utility is proposing to increase its tap-in fee. The reason for the change in this non-recurring charge is due to the increase in the labor and material costs to perform this service. Cost support has been provided.

| Description | Current Charge | Proposed Charge |
|--------------------|-----------------------|------------------------|
| Tap-in Fee | \$750.00 | \$850.00 |

The tariff page affected by this change is:

Schedule of Non-Recurring Charges.

“M” Final

A revision to the power cost tracker for electric utilities has been reviewed by staff members of the Commission and found to be in compliance with the orders of the Commission. The requirements prescribed for these filings in Commission Order No. 40095 have been met and I recommend approval.

| <u>Item</u> | <u>Utility</u> | <u>Rate Schedule</u> | <u>Change \$/kWh</u> | <u>Resultant \$/kWh</u> | <u>Filing #</u> |
|-------------|------------------|--------------------------|--------------------------|-----------------------------|-----------------|
| 1. | Auburn Municipal | All | (0.000936) | (0.000674) | 36 |

Please indicate your consideration and action of all the preceding items on the appropriate lines provided below.

Jerry L. Webb
Director of Gas/Water/Sewer Division

I approve of all items as presented above:

I approve of all items as presented above except:

Not participating in the following items:

I, _____, Disapprove Items

No.

I, _____, Wish to Defer Items

No.

I hereby certify that the above is a true and correct copy of the action on the articles.

Nancy E. Manley, Executive Secretary